

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
Rick Holthaus	President	2006
Rich Goodwin	Vice President	2006
Clarence Kriener	Board Member	2005
David Utterback	Board Member	2005
Deb Larsen	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Rich Stochl	President	2008
Deb Larsen	Vice President	2007
Rick Holthaus	Board Member	2006
Rich Goodwin	Board Member	2006
Bob Smith	Board Member	2008
<b>School Officials</b>		
Terry Christie	Superintendent (Resigned)	2006
Bob Longmuir	Superintendent (Appointed)	2006
Janet Westendorf	District Secretary/ Treasurer and Business Manager (Retired)	2006
Bob Ayers	District Secretary/ Treasurer and Business Manager (Appointed)	2006
Steve Weidner	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
New Hampton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District, New Hampton, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2006 on our consideration of the New Hampton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Nolte, Cornman & Johnson P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

October 6, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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New Hampton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,738,743 in fiscal 2005 to \$8,793,189 in fiscal 2006, while General Fund expenditures increased from \$8,227,689 in fiscal 2005 to \$8,332,387 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$883,862 in fiscal 2005 to a balance of \$1,344,664 in fiscal 2006, a 52.13% increase from the prior year.
- The increase in General Fund revenues was attributable to a increase in state and federal grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- A increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$68,899 in fiscal year 2005 to \$85,083 in fiscal year 2006.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of New Hampton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report New Hampton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which New Hampton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***New Hampton Community School District Annual Financial Report***

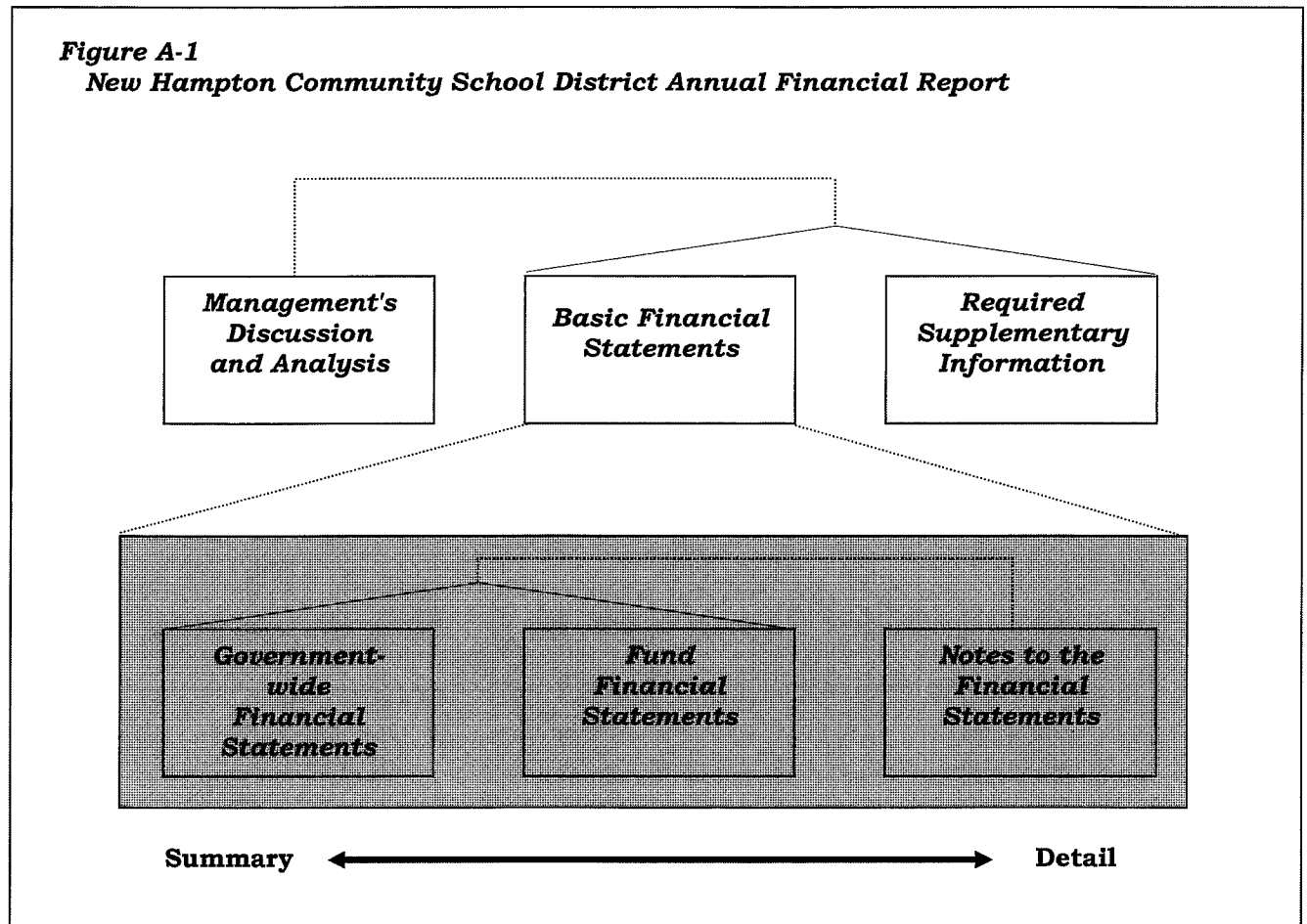


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 6,891,487	7,498,643	41,427	45,651	6,932,914	7,544,294	-8.10%
Capital assets	7,499,950	7,220,378	1,697	2,196	7,501,647	7,222,574	3.86%
Total assets	14,391,437	14,719,021	43,124	47,847	14,434,561	14,766,868	-2.25%
Long-term obligations	1,943,565	2,486,592	0	0	1,943,565	2,486,592	-21.84%
Other liabilities	3,991,738	5,461,684	5,652	5,917	3,997,390	5,467,601	-26.89%
Total liabilities	5,935,303	7,948,276	5,652	5,917	5,940,955	7,954,193	-25.31%
Net assets:							
Invested in capital assets, net of related debt	6,376,425	5,067,426	1,697	2,196	6,378,122	5,069,622	25.81%
Restricted	469,196	526,180	0	0	469,196	526,180	-10.83%
Unrestricted	1,610,513	1,177,139	35,775	39,734	1,646,288	1,216,873	35.29%
Total net assets	\$ 8,456,134	6,770,745	37,472	41,930	8,493,606	6,812,675	24.67%

The District's combined net assets increased by 24.67%, or \$1,680,931, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$56,984, or 10.83% over the prior year. The decrease was primarily a result of a decrease in Student Activity Fund balance as well as an increase in early retirement payable at year end.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$429,415, or 35.29%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance along with the increase in the instructional support levy.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,000,307	692,580	243,610	235,453	1,243,917	928,033	34.04%
Operating grants and contributions and restricted interest	1,014,914	1,246,789	162,590	151,282	1,177,504	1,398,071	-15.78%
Capital grants and contributions and restricted interest	0	505,427	0	0	0	505,427	-100.00%
General revenues:							
Property tax	4,346,852	4,372,820	0	0	4,346,852	4,372,820	-0.59%
Local option sales and service tax	551,615	587,065	0	0	551,615	587,065	-6.04%
Unrestricted state grants	3,484,918	3,468,974	0	0	3,484,918	3,468,974	0.46%
Other	141,315	86,843	1,496	869	142,811	87,712	62.82%
Total revenues	10,539,921	10,960,498	407,696	387,604	10,947,617	11,348,102	-3.53%
Program expenses:							
Governmental activities:							
Instructional	5,812,105	6,203,749	0	0	5,812,105	6,203,749	-6.31%
Support services	2,393,756	2,382,425	0	0	2,393,756	2,382,425	0.48%
Non-instructional programs	0	0	412,154	406,191	412,154	406,191	1.47%
Other expenses	648,671	1,097,626	0	0	648,671	1,097,626	-40.90%
Total expenses	8,854,532	9,683,800	412,154	406,191	9,266,686	10,089,991	-8.16%
Change in net assets	1,685,389	1,276,698	(4,458)	(18,587)	1,680,931	1,258,111	33.61%
Net assets beginning of year	6,770,745	5,494,047	41,930	60,517	6,812,675	5,554,564	22.65%
Net assets end of year	\$ 8,456,134	6,770,745	37,472	41,930	8,493,606	6,812,675	24.67%

In fiscal 2006, property tax and unrestricted state grants account for 74.3% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.6% of the revenue from business type activities.

The District's total revenues were approximately \$10.95 million of which \$10.54 million was for governmental activities and \$.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 3.53% in revenues and an 8.16% decrease in expenses. The decrease in expenses was related to the decrease in instructional costs during the year.

### Governmental Activities

Revenues for governmental activities were \$10,539,921 and expenses were \$8,854,532.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,812,105	4,233,123
Support services	2,393,756	2,308,068
Other expenses	648,671	298,120
Totals	<u>\$ 8,854,532</u>	<u>6,839,311</u>

- The cost financed by users of the District's programs was \$1,000,307.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,014,914.
- The net cost of governmental activities was financed with \$4,346,852 in property tax, \$551,615 in local option sales and services tax, \$3,484,918 in unrestricted state grants and \$135,485 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$407,696 and expenses were \$412,154. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the New Hampton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,627,314, above last year's ending fund balances of \$1,749,147. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to the increase in the fund balance of the General Fund.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position from \$883,862 to \$1,344,664 is the product of many factors:
  - Increases in state aid and local taxes received during the year resulted in an increase in revenues.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures. Total expenditures increased in 2006 by \$104,698 or approximately 1.3% from 2005.
- The Capital Projects Fund balance increased from \$209,424 in fiscal 2005 to \$290,589 in fiscal 2006. The Capital Projects Fund balance increased due to a decrease in total expenditures for the current year.

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### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$41,930 at June 30, 2005 to \$37,472 at June 30, 2006, representing a decrease of 10.6%.

### BUDGETARY HIGHLIGHTS

Over the course of the year, New Hampton Community School District amended its annual budget one time to reflect additional expenditures associated with all of the budgeted functions.

The District's revenues were \$447,824 more than budgeted revenues, a variance of 4.3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2006, the District had invested \$7,501,647, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$241,211.

The original cost of the District's capital assets was \$13.8 million. Governmental funds account for \$13.7 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$72,000 at June 30, 2006, compared to \$0 reported at June 30, 2005. This increase resulted from the construction that was started and not fully completed at the end of 2006.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 381,700	381,700	0	0	381,700	381,700	0.00%
Construction in progress	72,000	0	0	0	72,000	0	100.00%
Buildings	6,109,048	5,955,017	0	0	6,109,048	5,955,017	2.52%
Improvements other than buildings	469,632	486,484	0	0	469,632	486,484	-3.59%
Machinery and equipment	467,570	397,177	1,697	2,196	469,267	399,373	14.89%
Total	\$ 7,499,950	7,220,378	1,697	2,196	7,501,647	7,222,574	3.72%

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## Long-Term Debt

At June 30, 2006, the District had \$1,943,565 in general obligation and other long-term debt outstanding. This represents a decrease of 21.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,815,000 at June 30, 2006.

The District had total outstanding early Retirement payable from the Special Revenue, Management Fund of \$128,565 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
General obligation bonds	\$ 1,815,000	2,375,000	-23.6%
Early retirement	128,565	111,592	15.2%
Totals	\$ 1,943,565	2,486,592	-21.8%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Ayers, District Secretary/Treasurer and Business Manager, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

## BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,554,451	29,310	2,583,761
Receivables:			
Property tax:			
Delinquent	47,327	0	47,327
Succeeding year	3,869,980	0	3,869,980
Income surtax	284,388	0	284,388
Accounts	19,201	110	19,311
Due from other governments	116,140	0	116,140
Inventories	0	12,007	12,007
Capital assets, net of accumulated depreciation(Note 5)	7,499,950	1,697	7,501,647
<b>Total Assets</b>	<b>14,391,437</b>	<b>43,124</b>	<b>14,434,561</b>
<b>Liabilities</b>			
Accounts payable	107,196	0	107,196
Salaries and benefits payable	853	71	924
Interest payable	11,953	0	11,953
Deferred revenue:			
Succeeding year property tax	3,869,980	0	3,869,980
Other	1,756	0	1,756
Unearned revenue	0	5,581	5,581
Long-term liabilities(Note 6):			
Portion due within one year:			
Bonds payable	580,000	0	580,000
Early retirement payable	56,468	0	56,468
Portion due after one year:			
Bonds payable	1,235,000	0	1,235,000
Early retirement payable	72,097	0	72,097
<b>Total Liabilities</b>	<b>5,935,303</b>	<b>5,652</b>	<b>5,940,955</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	6,376,425	1,697	6,378,122
Restricted for:			
Talented and gifted	14,654	0	14,654
Salary improvement program	3,885	0	3,885
Management levy	117,373	0	117,373
Physical plant and equipment levy	184,584	0	184,584
Other special revenue purposes	148,700	0	148,700
Unrestricted	1,610,513	35,775	1,646,288
<b>Total Net Assets</b>	<b>\$ 8,456,134</b>	<b>37,472</b>	<b>8,493,606</b>

SEE NOTES TO FINANCIAL STATEMENTS.



NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 3,488,439	210,150	530,887	(2,747,402)	0
Special instruction	1,653,993	55,847	62,190	(1,535,956)	0
Other instruction	669,673	719,908	0	50,235	0
	5,812,105	985,905	593,077	(4,233,123)	0
Support services:					
Student services	208,923	0	0	(208,923)	0
Instructional staff services	258,994	0	0	(258,994)	0
Administration services	807,380	0	0	(807,380)	0
Operation and maintenance of plant services	689,016	0	0	(689,016)	0
Transportation services	429,443	14,402	71,286	(343,755)	0
	2,393,756	14,402	71,286	(2,308,068)	0
Other expenditures:					
Long-term debt interest	90,317	0	0	(90,317)	0
AEA flowthrough	350,551	0	350,551	0	0
Depreciation(unallocated) *	207,803	0	0	(207,803)	0
	648,671	0	350,551	(298,120)	0
Total governmental activities	8,854,532	1,000,307	1,014,914	(6,839,311)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	412,154	243,610	162,590	0	(5,954)
Total business-type activities	412,154	243,610	162,590	0	(5,954)
Total	\$ 9,266,686	1,243,917	1,177,504	(6,839,311)	(5,954)
General Revenues:					
Property tax levied for:					
General purposes				\$ 3,827,597	0
Capital outlay				104,940	0
Debt service				414,315	0
Local option sales and services tax				551,615	0
Unrestricted state grants				3,484,918	0
Unrestricted investment earnings				135,485	1,496
Proceeds from disposal of assets				5,830	0
Total general revenues				8,524,700	1,496
Changes in net assets				1,685,389	(4,458)
Net assets beginning of year				6,770,745	41,930
Net assets end of year				\$ 8,456,134	37,472

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,265,818	310,690	408,001	569,942	2,554,451
Receivables:					
Property tax					
Delinquent	38,065	0	4,838	4,424	47,327
Succeeding year	2,949,188	0	411,918	508,874	3,869,980
Income surtax	284,388	0	0	0	284,388
Interfund	0	0	0	5,500	5,500
Accounts	18,951	0	0	250	19,201
Due from other governments	64,241	51,899	0	0	116,140
<b>Total Assets</b>	<b>\$ 4,620,651</b>	<b>362,589</b>	<b>824,757</b>	<b>1,088,990</b>	<b>6,896,987</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 5,500	0	0	0	5,500
Accounts payable	34,302	72,000	0	894	107,196
Salaries and benefits payable	853	0	0	0	853
Deferred revenue:					
Succeeding year property tax	2,949,188	0	411,918	508,874	3,869,980
Income surtax	284,388	0	0	0	284,388
Other	1,756	0	0	0	1,756
Total liabilities	3,275,987	72,000	411,918	509,768	4,269,673
Fund balances:					
Reserved:					
Debt service	0	0	412,839	0	412,839
Talented and gifted	14,654	0	0	0	14,654
Salary improvement program	3,885	0	0	0	3,885
Unreserved	1,326,125	290,589	0	579,222	2,195,936
Total fund balances	1,344,664	290,589	412,839	579,222	2,627,314
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,620,651</b>	<b>362,589</b>	<b>824,757</b>	<b>1,088,990</b>	<b>6,896,987</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

<b>Total fund balances of governmental funds (page 15)</b>	\$ 2,627,314
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,499,950
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	284,388
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,953)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,943,565)
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 8,456,134</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,576,249	551,615	414,315	375,305	4,917,484
Tuition	265,997	0	0	0	265,997
Other	450,817	17,749	12,202	388,477	869,245
Intermediate sources	550	0	0	0	550
State sources	4,238,878	0	306	280	4,239,464
Federal sources	260,368	0	0	0	260,368
<b>Total revenues</b>	<b>8,792,859</b>	<b>569,364</b>	<b>426,823</b>	<b>764,062</b>	<b>10,553,108</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	3,733,483	0	0	0	3,733,483
Special instruction	1,653,993	0	0	0	1,653,993
Other instruction	187,733	0	0	482,667	670,400
	<u>5,575,209</u>	<u>0</u>	<u>0</u>	<u>482,667</u>	<u>6,057,876</u>
Support services:					
Student services	216,995	0	0	0	216,995
Instructional staff services	325,272	0	0	0	325,272
Administration services	833,006	0	0	1,574	834,580
Operation and maintenance of plant services	595,870	0	0	102,673	698,543
Transportation services	435,484	0	0	1,000	436,484
	<u>2,406,627</u>	<u>0</u>	<u>0</u>	<u>105,247</u>	<u>2,511,874</u>
Other expenditures:					
Facilities acquisitions	0	85,867	0	20,646	106,513
Long-term debt:					
Principal	0	0	560,000	0	560,000
Interest	0	0	93,957	0	93,957
AEA flowthrough	350,551	0	0	0	350,551
	<u>350,551</u>	<u>85,867</u>	<u>653,957</u>	<u>20,646</u>	<u>1,111,021</u>
<b>Total expenditures</b>	<b>8,332,387</b>	<b>85,867</b>	<b>653,957</b>	<b>608,560</b>	<b>9,680,771</b>
Excess(deficiency) of revenues over(under) expenditures	460,472	483,497	(227,134)	155,502	872,337
Other financing sources(uses):					
Transfers in	0	0	402,332	0	402,332
Transfers out	0	(402,332)	0	0	(402,332)
Proceeds from disposal of asset	330	0	0	5,500	5,830
<b>Total other financing sources(uses)</b>	<b>330</b>	<b>(402,332)</b>	<b>402,332</b>	<b>5,500</b>	<b>5,830</b>
Net change in fund balances	460,802	81,165	175,198	161,002	878,167
Fund balance beginning of year	883,862	209,424	237,641	418,220	1,749,147
Fund balance end of year	<u>\$ 1,344,664</u>	<u>290,589</u>	<u>412,839</u>	<u>579,222</u>	<u>2,627,314</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 17) \$ 878,167

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year, are as follows:

Expenditures for capital assets	\$ 520,284	
Depreciation expense	<u>(240,712)</u>	279,572

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (19,017)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 560,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,640

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	<u>(16,973)</u>
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Changes in net assets of governmental activities(page 14) \$ 1,685,389

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 29,310
Accounts receivable	110
Inventories	12,007
Capital assets, net of accumulated depreciation(Note 5)	1,697
<b>Total Assets</b>	<u>43,124</u>
<b>Liabilities</b>	
Salary and benefits payable	71
Unearned revenue	5,581
<b>Total Liabilities</b>	<u>5,652</u>
<b>Net Assets</b>	
Investment in capital assets	1,697
Unrestricted	35,775
<b>Total Net Assets</b>	<u>\$ 37,472</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 243,610
TOTAL OPERATING REVENUES	<u>243,610</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	160,162
Benefits	55,513
Services	4,555
Supplies	191,425
Depreciation	499
TOTAL OPERATING EXPENSES	<u>412,154</u>
OPERATING LOSS	<u>(168,544)</u>
NON-OPERATING REVENUES:	
State sources	5,860
Federal sources	156,730
Interest income	1,496
TOTAL NON-OPERATING REVENUES	<u>164,086</u>
Net loss	(4,458)
Net assets beginning of year	<u>41,930</u>
Net assets end of year	<u>\$ 37,472</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 240,292
Cash received from miscellaneous sources	3,121
Cash payments to employees for services	(215,604)
Cash payments to suppliers for goods or services	(154,563)
Net cash used in operating activities	<u>(126,754)</u>
Cash flows from non-capital financing activities:	
State grants received	5,860
Federal grants received	121,966
Net cash provided by non-capital financing activities	<u>127,826</u>
Cash flows from investing activities:	
Interest on investments	<u>1,496</u>
Net increase in cash and cash equivalents	2,568
Cash and cash equivalents at beginning of year	<u>26,742</u>
Cash and cash equivalents at end of year	<u>\$ 29,310</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (168,544)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	34,764
Depreciation	499
Decrease in inventories	6,902
Increase in accounts receivable	(110)
Decrease in accounts payable	(249)
Increase in salaries and benefits payable	71
Decrease in unearned revenue	(87)
Net cash used in operating activities	<u>\$ (126,754)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 29,310</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$34,764.

SEE NOTES TO FINANCIAL STATEMENTS.



NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**(1) Summary of Significant Accounting Policies**

The New Hampton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Hampton, Iowa, and the predominate agricultural territory in Howard and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, New Hampton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The New Hampton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Howard and Chickasaw Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government

commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

**(3) Due From and Due to Other Funds**

The detail of interfund receivable and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenues -		
Physical Plant and		
Equipment Levy	General	<u>\$ 5,500</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 402,332</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	0	0	381,700
Construction in progress	0	72,000	0	72,000
Total capital assets not being depreciated	381,700	72,000	0	453,700
Capital assets being depreciated:				
Buildings	9,143,277	344,982	0	9,488,259
Land improvements	719,568	0	1,952	717,616
Machinery and equipment	2,991,456	103,302	87,298	3,007,460
Total capital assets being depreciated	12,854,301	448,284	89,250	13,213,335
Less accumulated depreciation for:				
Buildings	3,188,260	190,951	0	3,379,211
Land improvements	233,084	16,852	1,952	247,984
Machinery and equipment	2,594,279	32,909	87,298	2,539,890
Total accumulated depreciation	6,015,623	240,712	89,250	6,167,085
Total capital assets being depreciated, net	6,838,678	207,572	0	7,046,250
Governmental activities capital assets, net	\$ 7,220,378	279,572	0	<u>7,499,950</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 85,682	0	0	85,682
Less accumulated depreciation	83,486	499	0	83,985
Business-type activities capital assets, net	<u>\$ 2,196</u>	<u>(499)</u>	<u>0</u>	<u>1,697</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,164
Other	3,291
Support services:	
Operation and maintenance	8,227
Transportation	8,227
	<u>32,909</u>
Unallocated depreciation	<u>207,803</u>
Total governmental activities depreciation expense	<u>\$ 240,712</u>
Business-type activities:	
Food services	<u>\$ 499</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,375,000	0	560,000	1,815,000	580,000
Early retirement	111,592	86,205	69,232	128,565	56,468
Total	<u>\$ 2,486,592</u>	<u>86,205</u>	<u>629,232</u>	<u>1,943,565</u>	<u>636,468</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay per individual. Early retirement benefits paid during the year ended June 30, 2006, totaled \$69,232. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.



## General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 1998				
	Interest Rates	Principal	Interest	Total	
2007	3.90 %	\$ 580,000	71,718	651,718	
2008	3.95	605,000	49,098	654,098	
2009	4.00	630,000	25,200	655,200	
Total		\$ 1,815,000	146,016	1,961,016	

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$301,818, \$300,859, and \$301,359 respectively, equal to the required contributions for each year.

### **(8) Risk Management**

New Hampton Community School District is a member in the Northeast Iowa Schools Insurance Trust, and Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed July 1999 for the purpose of managing and funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, long-term disability, and life insurance.

Each member's contributions to NEIST funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, NEIST's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2006 were \$1,048,006.

Payments from participating members are the sole source for paying claims and establishing reserves for the NEIST self-funded programs. Stop loss insurance is purchased by NEIST to protect

against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the District's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. NEIST will pay claims incurred before the termination date.

New Hampton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$350,551 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has entered into a contract totaling \$149,263 for a roof project. As of June 30, 2006, costs of 72,000 had been incurred against the contract. The balance of \$77,263 remaining at June 30, 2006 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,052,726	245,106	6,297,832	5,651,297	5,651,297	646,535
Intermediate sources	550	0	550	4,200	4,200	(3,650)
State sources	4,239,464	5,860	4,245,324	4,264,483	4,264,483	(19,159)
Federal sources	260,368	156,730	417,098	593,000	593,000	(175,902)
Total revenues	10,553,108	407,696	10,960,804	10,512,980	10,512,980	447,824
Expenditures:						
Instruction	6,057,876	0	6,057,876	6,369,022	6,438,050	380,174
Support services	2,511,874	0	2,511,874	2,497,500	2,577,500	65,626
Non-instructional programs	0	412,154	412,154	417,000	437,240	25,086
Other expenditures	1,111,021	0	1,111,021	1,490,084	1,570,084	459,063
Total expenditures	9,680,771	412,154	10,092,925	10,773,606	11,022,874	929,949
Excess(deficiency) of revenues over(under) expenditures	872,337	(4,458)	867,879	(260,626)	(509,894)	1,377,773
Other financing sources, net	5,830	0	5,830	0	0	(5,830)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	878,167	(4,458)	873,709	(260,626)	(509,894)	1,371,943
Balance beginning of year	1,749,147	41,930	1,791,077	1,074,147	1,074,147	716,930
Balance end of year	\$ 2,627,314	37,472	2,664,786	813,521	564,253	2,088,873

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$249,268.

OTHER SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 242,739	149,344	177,859	569,942
Receivables:				
Property tax				
Current year delinquent	3,199	0	1,225	4,424
Succeeding year	400,000	0	108,874	508,874
Interfund	0	0	5,500	5,500
Accounts	0	250	0	250
<b>Total Assets</b>	<b>\$ 645,938</b>	<b>149,594</b>	<b>293,458</b>	<b>1,088,990</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 0	894	0	894
Deferred revenue:				
Succeeding year property tax	400,000	0	108,874	508,874
Total liabilities	400,000	894	108,874	509,768
Unreserved fund balances	245,938	148,700	184,584	579,222
<b>Total Liabilities and Fund Balances</b>	<b>\$ 645,938</b>	<b>149,594</b>	<b>293,458</b>	<b>1,088,990</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 270,365	0	104,940	375,305
Other	28,277	354,931	5,269	388,477
State sources	202	0	78	280
<b>Total revenues</b>	<b>298,844</b>	<b>354,931</b>	<b>110,287</b>	<b>764,062</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Other instruction	104,147	378,520	0	482,667
Support services:				
Administration services	1,574	0	0	1,574
Operation and maintenance of plant services	102,673	0	0	102,673
Transportation services	1,000	0	0	1,000
Other expenditures:				
Facilities acquisition	0	0	20,646	20,646
<b>Total expenditures</b>	<b>209,394</b>	<b>378,520</b>	<b>20,646</b>	<b>608,560</b>
Excess(deficiency) of revenues over(under) expenditures	89,450	(23,589)	89,641	155,502
Other financing sources				
Proceed from disposal of asset	0	0	5,500	5,500
Excess(deficiency) of revenues and other financing sources over(under) expenditures	89,450	(23,589)	95,141	161,002
Fund balances beginning of year	156,488	172,289	89,443	418,220
Fund balances end of year	\$ 245,938	148,700	184,584	579,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Staff Recognition Program	\$ 14	1,000	761	253
Academic Award Letter	2,226	0	0	2,226
Camp EWALU	1	0	0	1
Drama	4	7,092	7,047	49
Speech	0	168	0	168
National Honor Society	3	480	477	6
Pepsi Contract	54,178	4,250	16,227	42,201
Annual	(8)	14,803	14,791	4
Chieftain	284	0	0	284
Advance Placement Exam	999	648	661	986
Vocal Music	3,942	1,100	2,648	2,394
Instrumental Music	2,970	1,359	1,256	3,073
Swing Choir	592	1,943	1,211	1,324
Band Trip	362	0	0	362
Future Educators	131	0	0	131
Art Club	81	0	0	81
AFS	2,465	0	0	2,465
Writers Club	142	0	0	142
Science Achievement Club	8	0	0	8
BAC	675	307	177	805
FFA	2,916	9,438	11,007	1,347
SADD	1,595	3,055	2,944	1,706
Student Senate	4,550	20,902	24,232	1,220
Class of 2005	132	32	35	129
Class of 2006	2,427	1,300	3,727	0
Class of 2007	6,878	688	3,227	4,339
Class of 2008	1	14,715	8,772	5,944
Class of 2009	9	375	324	60
Class of 2010	10,516	62,374	72,828	62
Class of 2011	6,255	5,680	0	11,935
Class of 2012	3,961	5,008	0	8,969
Class of 2013	0	4,624	0	4,624
HS Lounge	10	0	0	10
Picture	1,580	0	0	1,580
Activity Tickets	2	12,153	12,130	25
Lettermen	2,852	8,181	4,352	6,681
Letterette	1,674	1,167	1,286	1,555
Pom Pon	20	9,704	8,634	1,090
Pep Club	10	0	0	10
Athletics	(608)	112,801	112,706	(513)

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School Accounts(Continued):				
NEIC Athletic Directors	1,399	4,078	5,006	471
Student Senate Vending	27	6,401	6,300	128
Miscellaneous	525	6,710	7,150	85
Vocal Music	142	0	107	35
MS Musical	9,062	2,496	2,115	9,443
Annual	2,781	2,976	2,765	2,992
MS Music	613	997	358	1,252
Student Senate	5,297	11,964	17,219	42
Picture	125	0	0	125
OM/DI Activity	4,699	6,576	10,804	471
MS Athletic Pop	16	0	0	16
Elementary Student Council Books	18	0	0	18
Picture	2,512	0	482	2,030
Lounge	2,857	299	223	2,933
Elementary Carnival	19,126	6,837	12,293	13,670
Book Fair	659	0	0	659
Box Top for Education	4,690	250	1,878	3,062
Elementary Playground	3,892	0	360	3,532
Total	\$ 172,289	354,931	378,520	148,700

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 4,917,484	4,912,351	4,760,526	4,588,232
Tuition	265,997	247,581	223,477	216,456
Other	869,245	1,037,269	591,796	1,385,390
Intermediate sources	550	3,284	4,234	3,865
State sources	4,239,464	4,123,898	4,000,492	4,180,273
Federal sources	260,368	588,581	921,733	362,418
Total	<u>\$ 10,553,108</u>	<u>10,912,964</u>	<u>10,502,258</u>	<u>10,736,634</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,733,483	3,833,556	3,812,527	3,842,423
Special instruction	1,653,993	1,423,451	1,356,551	1,303,074
Other instruction	670,400	792,932	877,351	774,912
Support services:				
Student services	216,995	175,843	241,523	237,987
Instructional staff services	325,272	292,364	280,984	272,201
Administration services	834,580	785,261	751,760	671,847
Operation and maintenance of plant services	698,543	647,956	637,681	834,897
Transportation services	436,484	458,782	467,772	486,960
Other expenditures:				
Facilities acquisitions	106,513	735,832	1,611,810	268,859
Long-term debt:				
Principal	560,000	535,000	510,000	485,000
Interest	93,957	114,772	134,357	152,713
AEA flow-through	350,551	347,827	353,290	377,666
Total	<u>\$ 9,680,771</u>	<u>10,143,576</u>	<u>11,035,606</u>	<u>9,708,539</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
New Hampton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Hampton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of New Hampton Community School District and other parties to whom New Hampton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New Hampton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 6, 2006

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider other alternative and implement as possible.

Conclusion - Response accepted.

I-B-06 Student Activity Fund - We noted during our audit in the Student Activity Fund various accounts that do not appear to be student run organizations or clubs. Some of these accounts include the picture fund, lounge accounts, advanced placement exam, staff recognition program and playground account. These accounts should be more appropriately run through a different fund. We also noted that Box Tops for Education donations were being receipted into the Student Activity Fund.

Recommendation - The various accounts listed above, with the exception of the playground account, would more appropriately run through the General fund. The playground account could be run through either the General or Physical Plant and Equipment Levy (PPEL) fund. The Box Tops for Education donations are to be used for instructional uses which would be more appropriately handled in the General Fund. The District should review all Student Activity Fund accounts and determine if the account is truly a student run organization and club. If the account is instructional in nature, the account should be closed and moved to the General Fund.

Response - All instructional accounts by nature that are supported by activities will be closed and moved to the General Fund. The pictures account will be eliminated. All other accounts will be run through the General Fund.

Conclusion - Response accepted.

I-C-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - All non-certified staff who coach will be required to keep track of their work hours by a time card.

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.

II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wanda Batchelder, Media Specialist Owner of House of Flowers	Supplies	\$544
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$1,754
Rich Stochl, Board Member Partner in Elwood, O'Donohoe & Stochl	Legal Services	\$4,793
Dave Gorman, Custodian Owner of Dave's Locksmith	Services	\$403
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$1,894
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$35,645
Donna Kramer, Paraeducator Spouse owns Rick's Parking Lot Line	Services	\$295
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Vehicle and repairs	\$14,649
Rich Goodwin, Board Member Manager of Pamida	Supplies	\$4,004

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse's of Linda Schwickerath, Anita Quirk, Donna Kramer and



Terry Phillips and the father-in-law of Jeanette Laures do not appear to represent a conflict of interest. However, the transactions with the Rich Goodwin may represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Wanda Batchelder, and Dave Gorman do not appear to represent a conflict of interest.

In accordance with 279.7A of the Code of Iowa, the above transactions with Rich Stochl appear to be a conflict of interest.

Recommendation - Code of Iowa states that the District should without bids, limit the transactions with Board Members to no more than \$2,500. Therefore, the District needs to bid out services performed by its Board Member. Otherwise the District can consult legal counsel on these matters.

Response - Rich Goodwin is no longer a member of the Board of Directors thus eliminating any possible conflict of interest. Rich Stochl's law firm was awarded a contract with the school as a result of competitive bidding. This will continue to be our practice in the future

Conclusion - Response accepted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.